

Message Text

CONFIDENTIAL

PAGE 01 PARIS 13951 01 OF 02 111902Z
ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 PM-04 NSC-05 SP-02 SS-15

CIAE-00 INR-07 NSAE-00 DODE-00 EB-07 TRSE-00

OMB-01 L-03 /067 W

-----112050Z 023519 /64

R 112001Z MAY 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2708

INFO AMEMBASSY VALLETTA

AMEMBASSY ROME

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY TRIPOLI

AMEMBASSY ALGIERS

USMISSION NATO

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USNMR SHAPE

CONFIDENTIAL SECTION 01 OF 02 PARIS 13951

SHAPE FOR POLAD

E.O. 11652: GDS

TAGS: PFOR, FR, IT, MT, US

SUBJ: ITALIAN-FRENCH DIALOGUE WITH MALTA: THE STORM
HAS PASSED?

REF: VALLETTA 521

1. QUAI DEPUTY DIRECTOR FOR MEDITERRANEAN AFFAIRS
BLOT TELLS US THAT AFTER TACTICAL CRESCENDO DESCRIBED
VALLETTA'S REFTEL, MINTOFF RESUMED DIALOGUE BY ENABLING
TWO AMBASSADORS REESTABLISH CONTACT WITH RESPONSIBLE
OFFICIALS. BLOT THOUGHT THAT DURING THIS LATEST MELO-
DRAMA ITALIANS HAD AS USUAL OVERREACTION. QUAI'S OWN
RESPONSE HAD AS HE PUT IT BEEN ONE OF "ICY SANGFROID."
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PAGE 02 PARIS 13951 01 OF 02 111902Z

2. WE ARE NOT ABLE, FROM BLOT'S ACCOUNT, TO ESTABLISH
CLEAR SEQUENCE OF EVENTS OF LAST FEW DAYS; EXCEPT THAT
QUAI NOW SEEMS TO FEEL REASSURED THAT MINTOFF IS PRE-
PARED TO TREAT NEUTRALITY QUESTION MORE OR LESS SEP-
ARATELY FROM ECONOMIC PROBLEMS, AND IS "FOR THE MOMENT"
INCLINED BEHAVE IN A MORE REASONABLE WAY. BLOT THOUGHT

THAT MINTOFF, WHO REALLY DOES NOT WANT MALTA TO BECOME LYBIAN COLONY (SIC), MAY HAVE REALIZED THAT HE HAD ALMOST OVERPLAYED HIS HAND.

3. MAIN NEW SUBSTANTIVE POINT, WHICH REACHED QUAI BY TELEPHONE MAY 10, IS THAT MINTOFF HAS APPARENTLY PROPOSED THAT FRANCE AND ITALY CONTRIBUTE TO AND SERVE AS INTERMEDIARIES IN ARRANGING TRANSITIONAL FINANCIAL AID AFTER THE PRESENT PAYMENTS EXPIRE. IF WE UNDERSTAND IDEA CORRECTLY, MINTOFF ARGUES THAT, BECAUSE OF WORLD ECONOMIC CRISIS, MALTA WILL NOT BE READY TO ABSORB IMPACT OF CESSATION OF BASE CONTRIBUTION PAYMENTS IN 1969. HE THEREFORE PROPOSES A MULTILATERAL BALANCE OF PAYMENTS ASSISTANCE EFFORT, TO BE ARRANGED BY FRANCE AND ITALY, OF \$12 MILLION FOR THE FIRST YEAR AND DROPPING BY A THIRD EACH SUBSEQUENT YEAR, UNTIL IT CEASES AT END OF THREE-YEAR PERIOD. SUCH AID WOULD BE IN ADDITION TO SEPARATE EFFORTS DEVELOPMENT ASSISTANCE MALTA HOPES TO ARRANGE BILATERALLY.

4. BLOT SAID THAT MINTOFF'S NEW IDEA--WHICH AT LEAST HAS THE ADVANTAGE OF BEING CONCRETE--NOW FACES GOF WITH TWO QUESTIONS, WHICH HE IS CURRENTLY POSING TO HIS SUPERIORS. FIRST, WHETHER FRANCE ITSELF WOULD BE PREPARED TO CONTRIBUTE TO SUCH A BALANCE OF PAYMENTS EFFORT. BLOT THOUGHT THE ANSWER WOULD BE NO; BECAUSE, (A) AS MATTER OF PRINCIPLE FRANCE HAS TRIED TO CONCENTRATE ON DEVELOPMENT AID PROJECTS AND TO AVOID BALANCE OF PAYMENTS ASSISTANCE COMMITMENTS; AND (B) BECAUSE

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PAGE 03 PARIS 13951 01 OF 02 111902Z

BLOT BELIEVES ANY SUCH FINITE FINANCIAL AID EFFORT SHOULD BE MADE BY THE COUNTRIES PRESENTLY CONTRIBUTING SPECIAL PAYMENTS TO MALTA. THIS WOULD AVOID AN OPEN-ENDED SITUATION IN WHICH LYBIANS MIGHT BECOME INVOLVED, AND WHOSE TIME FRAME AND OTHER CONDITIONS MIGHT BECOME MORE DIFFICULT TO CONTROL. (IT IS OF COURSE ALSO CONVENIENT FOR FRENCH, WHO WILL GET THE CREDIT, BUT NOT PAY.)

5. THE SECOND QUESTION NOW TO BE CONSIDERED WITHIN GOF WILL BE WHETHER FRANCE SHOULD EVEN OFFER TO BE AN INTERMEDIARY TO RAISE THIS FUND. AGAIN BLOT THOUGHT THE ANSWER SHOULD BE NO. WHAT FRANCE MAY BE PREPARED TO DO IS TO STATE THE PROBLEM TO OTHERS AS IT IS: THAT MALTESE "NEUTRALITY" IS BETTER THAN MALTESE HOSTILITY; THAT MALTA'S ECONOMY INDEED WILL NOT BE ABLE TO ABSORB THE SHOCK OF CESSATION OF SPECIAL PAYMENTS WITHOUT SERIOUS DISLOCATIONS, SINCE IT IS AND WILL CONTINUE TO BE DIFFICULT TO ATTRACT A SUFFICIENT AMOUNT

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PAGE 01 PARIS 13951 02 OF 02 111903Z

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CONFIDENTIAL SECTION 02 OF 02 PARIS 13951

SHAPE FOR POLAD

OF NEW INVESTMENT TO OFFSET ITS NEEDS; AND THAT, IN A
DETERIORATING ECONOMIC CLIMATE, THE PCI WILL UNDOUBTEDLY
ATTEMPT TO FISH IN TROUBLED MALTESE WATERS AND THAT
THE RESULTANT POLITICAL PROBLEMS THIS SMALL ISLAND
POSES FOR WEST COULD THEN BE WORSE THAN THE ONES WE
ARE FACING NOW.

6. BLOT EMPHASIZED THROUGHOUT THAT HE WAS SPEAKING
PURELY PERSONALLY, WITHOUT DETAILED KNOWLEDGE OF THE
NUANCES OF MALTA'S MOST RECENT RESPONSES, AND OF COURSE
WITHOUT ASSURANCE OF WHAT GOF'S REACTIONS WILL ULTI-
MATELY BE. ON THIS LEVEL OF INFORMALITY HE THEN SUG-
GESTED US AND OTHERS PRESENTLY GIVING AID TO MINTOFF
MIGHT WELL WISH TO GIVE THOUGHT TO ADVANTAGES OF TAKING
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PARIS 13951 02 OF 02 111903Z

UP HIS LATEST IDEA ON A TAKE-IT-OR-LEAVE IT BASIS (I.E., WITHOUT ANY NEGOTIATIONS) PROVIDED THE TERMS OF THE NEUTRALITY DECLARATION HE PROPOSES SATISFY WESTERN INTERESTS. BILATERAL DEVELOPMENT PROJECTS WOULD OF COURSE REMAIN NECESSARY ALSO TO MAKE SURE THAT SUCH A ONE-TIME DEAL INDEED REMAINED THE SELF-LIQUIDATING PROPOSITION MINTOFF NOW SEEMS TO BE SUGGESTING.

7. COMMENT: WE OFFER THIS RAW CONTRIBUTION TO THE MORE ROUNDED ACCOUNT EMBASSY VALLETTA WILL BE ABLE TO DEVELOP. WE ALSO DEFER TO EMBASSY VALLETTA'S ASSESSMENT OF POTENTIAL INTEREST MINTOFF'S REPORTED NEW SCHEME MIGHT HAVE FOR US.

GAMMON

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